

Electric Affordability Program: Report and Draft Legislation

Prepared pursuant to Act 208 of the
2006 Vermont General Assembly

by the Vermont Public Service Board

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SECTION I. INTRODUCTION

Act 208 of the 2006 Vermont General Assembly, Section 10, requires the Public Service Board to “design a proposed electric affordability program in the form of draft legislation.” (30 V.S.A. § 209c(a)) Draft legislation must be submitted to the legislature in January, 2007.

The Act provides parameters for the draft legislation. They include:

- (1) The proposed electricity affordability program shall provide assistance in the payment of electricity bills for eligible low-income residential customers served by electric companies subject to the jurisdiction of the board.
- (2) In developing the electricity affordability program, the board shall review the successes and administrative burdens of similar programs in operation in other states.
- (3) The following equally weighted goals must be considered in formulating the program:
 - (a) The need to provide payment assistance to low-income customers at and below 150% of the Federal Poverty Level (“FPL”);
 - (b) The need for automatic screening and enrollment methods of eligible customers by means of information obtained from existing means-tested financial assistance programs administered by other Vermont agencies such as food stamps, Medicaid, Low Income Home Energy Assistance Program (“LIHEAP”) or Temporary Aid to Needy Families (“TANF”); and
 - (c) The need to design a program that is funded by all customer classes in an equitable and reasonable manner and that results in the reimbursement of net incremental costs incurred by electric utilities to implement the program, taking into consideration the benefits as well as the costs.

(30 V.S.A. § 209(c))

The Act specified that the draft legislation be developed with the aid of “representatives from the electric utilities, residential customers, consumer representatives, low-income program representatives, elderly program representatives, the department of public service, the department of human services, and other stakeholders identified by the board.” In accordance with this

directive, the Board invited the groups required by the Act, as well as other stakeholders to participate in a collaborative process that the Board staff led from June, 2006, to January, 2007.¹

This report presents a Draft Bill² that resulted from the Electric Affordability Collaborative conducted by the Board pursuant to Act 208. Section II of the report consists of a narrative description of the major policy issues that the Electric Affordability Collaborative addressed and presents the positions of the participants in each section, followed by the rationale for the position the Board ultimately incorporated into the Draft Bill. Section III presents program cost projections based on the four funding alternatives included in the Draft Bill. Attachment A presents the Draft Bill that is the product of the collaborative process. Attachment B contains a list of collaborative participants along with the abbreviations used to refer to each throughout the report.

1. Act 208 was enacted May 31, 2006, became effective on July 1, 2006, and required a bill to be submitted to the legislature in January, 2007. The Board began the organizational process for the collaborative on June 12, 2006.

2. Throughout this report, the draft bill being submitted by the Board as Attachment A of this report is referred to as "Draft Bill." Drafts by collaborative participants are specifically identified by the entity that submitted the referenced draft.

SECTION II: THE COLLABORATIVE PROCESS AND ITS PARTICIPANTS

In a June 12, 2006, memo, the Board solicited recommendations from a wide variety of groups, including all those specifically listed in the legislation, regarding how the collaborative should proceed. An initial workshop, led by Chairman Volz, was held July 17, 2006, to discuss how the collaborative should proceed. Subsequently, staff led six workshops. The first four were devoted to an educational process on the available models of electric affordability programs, the experience of other states, the level of need in Vermont, existing programs within the state, and administrative and implementation issues. The fifth workshop addressed conceptual proposals submitted by the parties. The final workshop addressed a specific legislative proposal submitted by AARP³ and a redline-strikeout revision of the AARP proposal submitted by CVPS.

The process involved more than 30 diverse stakeholders including state agencies, economic development groups, business groups, organizations representing seniors, low-income consumers and residential consumers, utilities, and energy efficiency providers. (See Appendix A for a complete list of participants.) All materials developed in association with the Electric Affordability Collaborative, including Board memoranda, participant and attendance lists, and materials submitted by participants are posted on the Board's website at:<http://www.state.vt.us/psb/document/ElectricInitiatives/Act208/Act208Main.htm>

At the outset of the collaborative process, the group was asked by Chairman Volz to remain cognizant of the legislative framework of Act 208. The legislature asked the Board to develop a program, using the aid of a collaborative, that meets the goals the legislature had established, including that it would be funded by all customer classes reasonably and equitably. The task was not to determine whether an electric affordability program was needed, nor how it should be funded. While the participants expressed opinions about the merits of establishing a program with the parameters set out in the statute, by and large the collaborative focused productively on the task defined by Act 208.

Following the educational phase of the collaborative, the group engaged in two steps in which participants proposed program approaches. The first step was an invitation to propose conceptual program designs. The second step was to propose actual draft legislative language.

3. Throughout this document participants are referred to, including upon first reference, by their acronyms, which are shown in Attachment B.

Five participants filed initial conceptual proposals⁴ and four participants commented on those proposals.⁵ AARP submitted the one draft bill received by the Board. CVPS submitted a redline-strikeout version of AARP's bill, suggesting changes to the AARP draft. Eight groups commented on the AARP draft bill, the CVPS proposed changes or both.⁶ Although disagreement remained over some issues, particularly funding, a number of groups supported the operational approach of the AARP bill as modified by CVPS by the conclusion of the final workshop on November 30, 2006, including AARP, BED, COVE, CVPS, GMP, G14, VLA, VPIRG, and WEC.⁷

On December 12, 2006, participants received a Board staff draft bill for comment. Comments on the draft were due December 29, 2006. AARP, COVE and VLA supported the draft unconditionally. BED, GMP, G14 and CVPS submitted generally supportive comments with a number of specific recommendations for change and some continuing objection to the funding mechanism required by Act 208. The Agency of Human Services expressed strong concern about being designated as the program administrator unless adequate funding is provided for start-up, information technology, and ongoing costs of program staffing. No other participant commented. Board staff made a number of changes to the draft bill based on the December 12 comments.

On January 18, 2007, the Board issued its draft final report for comment. [INSERT LIST OF COMMENTERS AND WHAT WAS DONE IN RESPONSE TO THE COMMENTS.]

4. The five conceptual proposals, statements of principle and design considerations were filed by AARP, CVPS, DPS, VEC, and GBIC/LCRCC.

5. Comments on the conceptual proposals were submitted by WEC, AARP, VGA, and VRA.

6. Comments on the draft bills came from BED, COVE, G14, VLA, VPIRG, VRA, WEC, and IBM.

7. Groups absent from this list may either oppose the draft or have been silent.

**SECTION III: ISSUES ADDRESSED BY THE COLLABORATIVE AND HOW THEY ARE
INCORPORATED IN THE DRAFT BILL**

A. The need for the program

Although the task of the collaborative was specifically to develop an electric affordability program, the participants focused a limited amount of discussion on the issue of whether or not such a program was needed. AARP and COVE pointed out that Vermont is the only state in New England that does not have a low-income electric assistance program. They also cited a widely quoted finding from a 2003 study of energy burden as a percentage of income, reporting that Vermont ranks fiftieth (of fifty states plus the District of Columbia) in electric affordability.⁸ VLA stated that electricity is a necessity that is unaffordable for a significant segment of Vermonters as evidenced by electric utility disconnection data.

A number of groups expressed skepticism that a subsidy program would address the real problem. In a statement of design principles, DPS opined that an electric subsidy cannot address the true cause of unaffordable electric bills, as the problem is a function of earned income level and total household expenses. In a similar vein, GBIC/LCRCC urged that the problem be addressed through downward pressure on rates, lowering Vermont's overall cost of living, and developing jobs.

Act 208, Section 10b, includes a requirement that will provide the legislature with some need-related information when it deliberates on the electric affordability bill submitted by the Board. The Section requires the Department of Public Service, in conjunction with the Department for Children and Families and the Department of Disabilities, Aging, and Independent Living, to investigate and prepare a comprehensive report on all of the statewide public and private programs that address poverty, in comparison to similar resources in other states.

8. Fisher, Colton & Sheehan, "On the brink: The home energy affordability gap in Vermont," April 2003. http://www.fsconline.com/work/heag/2002_Released_Apr03/vermont.pdf The 2006 update of this study shows that Vermont has dropped to the rank of 51st in low-income energy affordability. The study defines unaffordability in terms of the gap between the average percentage of household income spent on energy bills by all households compared to percentage of household income spent on energy bills of low-income households.

While the study's January 15, 2007, due date required the collaborative to proceed before having the study's findings, some participants in the collaborative thought it essential to have a full picture of levels of public and private benefit available to low-income Vermonters as a means of placing the discussion of electric affordability assistance in context.

The Department of Public Service agreed to present a preliminary draft of the study required by Section 10b as early as possible in the collaborative's deliberation, and they did so on September 26, 2006. The preliminary study (available at <http://www.state.vt.us/psb/document/ElectricInitiatives/Act208/10bstudy.pdf>) indicated no dramatic differences between levels of support for low-income households in Vermont and around the Northeast. No evidence presented in the study provided a strong rationale for any particular electric affordability program design.

B. Program funding mechanisms

Act 208 provides clear guidance that the electric affordability program to be developed by the Board is to be funded from electric customers, stating that program design must address, "[t]he need to design a program that is funded by all customer classes in an equitable and reasonable manner . . . taking into consideration the benefits as well as the costs." (30 V.S.A. § 209c(c)(3)) Based on this guidance, the final Draft Bill being submitted to the Legislature incorporates funding mechanisms that rely on retail electric revenue. A number of groups, however, favored other funding alternatives. Those perspectives are described in the following paragraphs.

Both business groups and utilities stated a preference for funding through general revenue. GBIC, CVPS, WEC, VEC, VGA, VRA, and IBM all urged general revenue funding or preferred general revenue but also provided other alternatives in light of the legislative charge to the group.

GBIC characterized an electric affordability program as a social program and, therefore, recommended general revenue as the funding source to keep the program on the "same playing field as other reasonable and valid social programs." Funding through general revenue, GBIC commented, would provide a "transparent and accountable funding stream subject to [the] normal process of prioritization and allocation through legislative budgeting." (GBIC comments

of 10/15/06.) IBM also recommended that any program be funded via general revenue, stating, “IBM firmly believes that any electric affordability or subsidy program should be evaluated on its merits by the Legislature through the budget process . . . in the context of other current and proposed social programs.” (IBM comments of 12/7/06.) GBIC’s comments were supported or echoed by the VRA and the VGA.

CVPS commented that general revenue funding would be “less regressive” and would avoid “additional costs layered onto electric bills [that] will reduce affordability . . . as well as the relative competitiveness of business customers.” Should funding come from a source other than general revenue, CVPS recommended an “all-energy gross receipts tax,” including non-electric energy providers, as a second choice, and a uniform percentage surcharge on electric bills as their last preference. (CVPS comments of 10/25/06.)

The G14 advocated for general revenue funding in order to remain consistent with “a basic principle of rate design [that] each and every ratepayer should pay their fair share of costs related to the delivery of electricity” in order to avoid cross subsidy. (G14 comments of 12/27/06.)

VEC recommended funding through income tax revenue, based on a program design, included in its comments, which projected a relatively small annual cost (\$2 million) and therefore a small impact on the tax rate. The advantage VEC cited for using income tax revenue is that recipients of benefits, whose incomes are low enough to pay little or no tax, would not be paying for their own relief. (VEC comments of 9/26/06.)

Although various groups preferred general revenue funding of any program to a funding mechanism based on utility bills or rates, generally these groups offered this preference without prejudice, reserving their right to oppose the creation of any program, including one funded by general revenue, once the matter is within the legislative context.⁹

9. This point must be emphasized: although all collaborative participants worked constructively throughout this process to come up with the best possible bill, their participation should not necessarily be interpreted as active support of the approach reflected in the resulting bill, which was narrowly constrained by the legislative charge. This caveat is captured in following statement of William Driscoll representing AIV at the November 30, 2006, workshop: “I hope that in terms of communicating your process to [the legislature] that you will make clear that particularly within the parameters of what they set forth in terms of draft legislation, there really isn’t consensus of support within this group . . . for that approach, or for those models. And that there is a lot of work that the

(continued...)

AARP opposed funding through general revenue on the basis that such funding would be unstable since it would have to be appropriated annually. AARP argues that:

when dealing with public utility service, like telephone and electricity, it is more common to implement a Universal Service Fund model. AARP believes that the policy reason for using a USF approach is embedded in the notion that public utility services are essential to the basic needs of all Vermonters and assuring access to service is a cost and benefit of the system that should be treated as such.

(AARP comments of 10/11/06.) AARP recommends funding the program through a non-bypassable charge on monthly electric bills to all classes of customer in order to provide adequate and predictable program funding. AARP's proposed funding mechanism received support from COVE, Vermont Legal Aid, and VPIRG.

The Department of Public Service suggested the group consider a flat fee structure, such as \$1 per month for residential customers, \$3 for commercial accounts, and \$100 for industrial customers.¹⁰

Consistent with the requirements of Act 208, the Draft Bill incorporated into this report provides for program funding raised via an affordability charge on electric bills. Rather than providing a single solution to the directive to fund the program "by all customer classes in an equitable and reasonable manner" (30 V.S.A. § 209c(c)(3)), the draft includes four alternative ways of assessing the affordability charge (see subsection (f) of the Draft Bill).

The funding alternatives include:

- Volumetric charge apportioned equally among customer classes based on usage.
- Fixed, per-meter charge that differs across customer classes.
- Charge based on percentage of utility revenue applied equally across customer classes.
- Volumetric charge on residential customers and per-meter charge on commercial and industrial customers.

9. (...continued)

legislature needs to do, be it addressing the whole general fund versus charge issue, really getting a handle on the scope of need, putting this in the context of other programs like the 10b study. And they shouldn't have the impression whatever you give them is something that has consensus from this group, they can just throw in a few numbers and pass it." (Transcript of 11/30/06 workshop at p. 112.) At the same time a number of groups strongly supported the approach prescribed by Act 208 and incorporated into the Draft Bill.

10. DPS included this funding approach in a single paragraph of its 9/25/06 program design considerations. No analysis of fiscal impact was provided and no further comments were filed by DPS in the proceeding.

Four alternative approaches have been provided in the Draft Bill to permit the Legislature to evaluate a variety of options.

The Draft Bill requires the affordability charge to be shown as a separate line item on electric bills. Collaborative participants were divided on this point. Some urged combining the affordability charge with the Energy Efficiency Charge into one public benefits charge. The rationale for doing so is to avoid making any particular program a target and to reduce the complexity that would result from multiple line items on the bill. Those who urged a separate line item advocated for transparency of information to customers.

The Draft Bill incorporates the CVPS recommendation to provide for a cap on total program revenue (and therefore costs), but does not recommend the amount of the cap.

C. Program target population and eligibility

The language of Act 208 gives guidance to the Board in the form of a goal stated as: “The need to provide payment assistance to low-income customers at and below 150% of the Federal Poverty Level.” (30 V.S.A. § 209c(c)(1)) The collaborative considered how this guidance should be incorporated into draft electric affordability legislation.

AARP, VLA, COVE and VPIRG supported making the program available to all households at or below 150 percent of the FPL. AARP’s draft legislation provides for a tiered-discount program, which would provide support at graduated levels based on income while serving all households at or below 150 percent of FPL.

DPS observed that targeting the seasonal LIHEAP population, for which Vermont has set its limit at 125 percent of FPL, would result in the program serving fewer people more effectively. Similarly, GBIC stated that 18 percent of Vermont households would qualify if the program’s income limit were set at 150 percent of FPL, and they recommended that direct assistance be targeted at the lowest income levels.

Consistent with the guidance in Act 208, the Draft Bill incorporates a maximum threshold for eligibility of 150 percent of FPL. The draft incorporates the tiered-discount program that was a feature of the AARP draft and CVPS redline, thus providing for benefits to decline as income increases, and concentrating program resources on the neediest participants. **The Draft Bill provides that the specific level of benefits in relation to income will be determined, once**

program funding is known, in a subsequent collaborative implementation process led by the DPS, with the Board available to resolve any dispute.¹¹ The specific mechanism of the tiered discount is described in more detail under D. Program Design below.

The Draft Bill defines eligible individuals as those who (1) are receiving residential electric service or seek to establish residential electric service and, (2) who are either currently receiving services from AHS that have a means-test of eligibility with a threshold at or below 150 percent of FPL, or whose household income is at or below 150 percent of FPL. This two-track approach to income eligibility is similar to the Lifeline telephone discount program (see 30 V.S.A. § 218 (c)(2) and (c)(3)). The inclusion of persons who seek to establish service among those who are eligible is intended to further clarify that persons who are disconnected and might, absent this program, be ineligible to obtain service based on past-due bills, may be eligible to obtain service under this program.

The AARP/CVPS draft of the bill designated “food stamps, Medicaid, TANF, LIHEAP, or programs administered by the office of home energy assistance within the agency of human services,” as the specific public benefits that make individuals eligible for low-income electric affordability. This list includes some programs with income thresholds above 150 percent of FPL, particularly Medicaid, and some that are below 150 percent of FPL. The Draft Bill takes an alternative approach, stating that qualification by virtue of enrollment in a means-tested program is limited to those programs with a means test at or below 150 percent of the FPL, rather than listing particular programs. The purpose of this approach is to more effectively implement the legislative intent to limit participation to those at or below 150 percent of FPL, which would not have been accomplished by the AARP/CVPS draft.

11. Many operational and implementation issues will need to be addressed following passage of enabling legislation for an electric affordability program. DPS organization and leadership of a collaborative group, involving agencies with assigned responsibilities for the program, the program administrator and fiscal agent, and the utilities, will take advantage of the expertise that exists in the DPS Consumer Affairs & Public Information Division and the longstanding role DPS plays in coordinating between agencies serving low-income consumers and the utilities. A good precedent is the role DPS has long played in interagency coordination on the state’s Lifeline telephone discount program, which requires coordination among AHS, the Tax Department and the state’s incumbent telephone companies. Since this approach was not discussed in the collaborative, and is being offered here by the Board for comment, we are particularly interested in the participants’ feedback on its efficacy.

AHS has raised a variety of concerns about the differing screening and eligibility criteria across programs, as well as the fact that those enrolled in seasonal fuel assistance go in and out of the program seasonally. The reconciliation of these detailed eligibility issues will need to be taken up in any program implementation process following the passage of enabling legislation. The conflicting eligibility issues may also be a topic for detailed discussion by the legislature.

D. Program design

The collaborative reviewed electric affordability program models in use around the country. While a number of models were discussed and proposed, the bulk of analysis and discussion focused on the tiered-discount program model. New Hampshire, as well as a number of other states, are using this model, and therefore information about its merits and challenges is readily available. In addition, AARP, which was the only group that advanced its own specific legislative proposal, adopted the tiered-discount approach.

The tiered discount recommended by AARP works by calculating a target household electric “burden.” The target burden is expressed as a percentage of household income above which electric bills are deemed unaffordable. There are various ways of establishing the target burden. For example, the DPS 2005 Electric Plan cites the use of six percent of household income as the affordable level for all energy (electricity and heating fuels), with two percent of household income as the affordable level for heating alone.¹² (DPS 2005 Electric Plan, page 10-8) The lower a state program sets its target burden in a tiered income program, the more expensive the program will be. In the current process, AARP proposed that the target burden, or affordability standard for electricity, be set at five percent of household income.

The amount of support provided to an individual by a tiered income program is determined by establishing income ranges or tiers. For example, a four-tiered program might group those below 75 percent of FPL, those between 75 and 100 percent of FPL, those between 100 and 125 percent of FPL, and those between 125 and 150 percent of FPL. The simplest method of calculating the program benefit would then be to determine the gap between the

12. The levels of affordability are based upon “On the Brink,” the Fisher Sheehan and Colton study cited above.

statewide average residential electric bill and the target burden for the median household in each tier, the difference determining the benefit available to the participating household.

The following example illustrates how this approach would work:

(A) % of FPL	(B) Median income of category	(C) Vermont average residential electricity expenditure	(D) Electricity expenditure at target burden of 5%	Annual discount (C-D)
<75%	\$4,950	\$940.10	\$247.50	\$692.60
75% to <100%	\$11,550	\$940.10	\$577.50	\$362.60
100% to <125%	\$14,850	\$940.10	\$742.40	\$197.60
124% to <150%	\$18,150	\$940.10	\$907.50	\$32.60

Data Source: National Consumer Law Center for AARP VT, September 2006

The tiered-discount program has the advantage of administrative simplicity because it does not require individual calculations of any variable other than in what tier to place a participant. Neither the program administrator nor the utilities are faced with calculating individual household usage or individual target burden. In contrast, a pure “percentage-of-income” program would provide such individual targeting and benefit determination. However, within the collaborative, all parties agreed on the need for administrative simplicity. The experience of New Hampshire is instructive in this regard. Initially New Hampshire considered a percentage-of-income model, but ultimately adopted a tiered discount because of the complexity a percentage-of-income model poses in administration, and therefore the increased administrative cost.

AARP’s proposal did not include a recommended number of tiers in its proposed bill. Its draft recommends that the Board establish the specifics of the program in a proceeding subsequent to passage of enabling legislation. VLA, COVE, and VPIRG supported the AARP proposal for a tiered discount, including the recommendation for a five percent target burden.

WEC commented that the use of a target burden for defining the problem of unaffordability and calculating benefits has inherent weaknesses because forms of assistance such as food stamps, housing subsidy, Medicaid, other health care financing, and fuel assistance are not necessarily counted as income. As a result, for those under 150 percent of FPL, resources may be available that free up limited income for other household bills. Because of this weakness,

WEC cautioned that AARP's proposed method of calculating low-income electric burden is "probably unrealistic, and . . . it is inherently inaccurate and misleading to use these terms to make comparisons to the burden for other Vermont households." Instead WEC recommends determining how many additional dollars it is appropriate to raise and then determining how to allocate those funds. (WEC comments of 10/2/06.)

DPS recommended two tiers if the maximum income threshold for eligibility is set at 125 percent of poverty, and three tiers if the threshold is 150 percent.

Several participants suggested models other than the tiered-discount approach. GBIC suggested a combination of a tiered discount with an initial low-cost block of power targeted at households at or below 125 percent of FPL. Similarly, IBM suggested a low cost base block of power that corresponds to prudent household energy use.

CVPS listed three approaches that could be implemented without major system reprogramming: (1) fixed monthly credit amounts (i.e., \$10, \$20, \$30, \$40) assigned based on income, (2) a tiered-discount program, and (3) a low-cost initial service block either for all customers or for those who are income eligible.

VPIRG supported AARP's tiered-discount proposal, but recommended that the subsidy apply only to a base block of energy in order to ensure against a disincentive for conservation and energy efficiency.

VEC proposed a program funded by Vermont income tax revenue, the purpose of which would be to prevent disconnection of electric service for non-payment. VEC calculated, based on data concerning delinquencies leading to disconnection in 2005, that \$2 million annually would be sufficient to fund the program statewide. The company recommended funding with income tax to avoid the regressive nature of funding through electric bills. As an alternative VEC proposed a small (\$.50 per account per month) charge on retail electric customers.

VEC submitted an outline on November 29, 2006, of a program designed to avoid the administrative burden of eligibility determination and enrollment.¹³ The proposal would provide

13. The final deadline for submitting legislative proposals for consideration by the collaborative was November 10, 2006, with the final workshop held on November 30. Consequently, participants had limited opportunity to evaluate VEC's second proposal.

a low-cost initial block of 500 kWh to all residential customers, with the difference between the utilities' tariffed rates and the initial block rate covered by income tax revenue.

An additional program design question concerns the issue of automatic enrollment, in which the program administrator authorizes benefits for households that are pre-qualified by virtue of being recipients of another means-tested program, such as LIHEAP.¹⁴ While the statute states as a goal, "the need for automatic screening and enrollment methods of eligible customers[.]" AHS comments that no other benefit program in the state is set up as an "opt out" rather than an "opt in."

The Draft Bill provides for a tiered-discount program with at least two tiers. The design of the actual number of tiers and their income distribution **would be determined by the implementation collaborative organized and led by DPS**, with any dispute resolved by the Board. Board by rule or order in a process following the passage of enabling legislation, as proposed in the AARP and CVPS bills. In the Draft Bill, the percentage of income to be used for calculating an affordable payment has been left blank, to be determined by the legislature in the context of the overall funding discussion.

The Draft Bill accepted a tiered-discount model because input to the collaborative, the AARP/CVPS drafts, and the experience of New Hampshire in establishing its tiered discount program, suggested that the tiered-discount model achieves some of the benefits of program models that are more precisely calibrated to individual income and usage, such as Percentage of Income Programs, but with a substantially reduced administrative cost. However, in developing the specific tiers and other implementation details of any program that may be enacted in Vermont, it will be particularly important to avoid creating inadvertent disincentives for energy efficiency that could result from setting benefit amounts on the basis of statewide average usage that is higher than some participants' actual usage.

The program design provides for the calculation of benefits in annual terms. At the time of enrollment, an annual credit amount will be calculated for each participant. The bill makes budget billing mandatory for participants. The intent is to allow a household's monthly usage to fluctuate from the average on which the calculation is based without reducing the total available

14. When a household is auto-enrolled, the Draft Bill provides that it receives notification that it is being enrolled in the program and can opt-out if program benefits are not wanted.

annual benefit should monthly usage fall below the average in some months, while exceeding it in others. This adjustment will have particular value for customers who have seasonal fluctuations in usage.

CVPS has raised a concern that the interaction between the budget billing true-up process and the annual method for benefit calculation in the Draft Bill may result in excess benefits to some consumers. In response to this concern, the Draft Bill incorporates an alternative to the annual benefit calculation method that will allow the Board to modify the approach to benefit calculation if the annual approach proves flawed. The bill permits this determination to be made in the implementation process after passage of legislation.

As proposed by AARP and CVPS, seasonal LIHEAP payments are to be subtracted from the low-income electric affordability benefits. It may be that a seasonal LIHEAP benefit does not duplicate the electric affordability credit. In addition, eliminating the deduction of the LIHEAP credit amount also simplifies program administration, as CVPS has pointed out. The Board has left the deduction of seasonal LIHEAP in the attached draft because the collaborative did not discuss the matter in sufficient detail to reach an alternate conclusion.

E. Arrears forgiveness

The collaborative discussed whether or not to include an arrearage forgiveness component in the affordability program design. Many states include a provision to forgive some or all of accumulated arrears when a household enrolls in an electric affordability program. One rationale for affordability programs is to enable low-income households to remain current with their bills, thereby achieving savings for utilities — and therefore ratepayers — through reduced costs of credit and collections activities. The goal of affordability is unlikely to be attainable for a household participating in a low-income subsidy program if the monthly payment remains out of reach as a result of past-due bills.

The lack of utility data on arrears for the target population challenged the collaborative in its discussion of arrearage forgiveness. Because the utilities have limited or no ability to correlate arrears with household income, considerable extrapolation and resulting potential for inaccuracy is built into any calculation of the cost of forgiving some or all of the target population's arrears. In addition, the cost of forgiveness will vary depending upon the design of the forgiveness

program and the ultimate target population. While the group recognized these caveats, the group agreed the issue needed to be discussed.

AARP's draft included an arrears forgiveness to be defined by the Board in a proceeding subsequent to passage of enabling legislation. In its policy recommendations, AARP suggested two potential models: either a gradual write-down of arrears based on timely payment going forward or a one-time forgiveness, citing administrative simplicity as a rationale favoring the one-time approach.

DPS expressed interest in a partial-forgiveness design, with a potential for additional reductions based on timely payment.

CVPS recommended a capped, one-time arrears forgiveness program with a sunset provision to limit the benefit to the first year of the program. The utility expressed concern that an ongoing arrears forgiveness program would result in eligible people deliberately accumulating arrears before enrollment in order to avoid paying past-due bills.

VEC suggested a "round up" program to finance partial arrears forgiveness. Such a program invites all customers to round their payments up to a higher amount (nearest dollar, for example), with the excess collections funding the arrears of low-income customers.

The Draft Bill includes an arrears forgiveness component. The bill restricts any individual customer's opportunity to obtain arrears forgiveness to one time within any given utility service territory. The forgivable arrears remain limited to the arrears that existed at the time of the customer's first enrollment in the electric affordability program. This feature will enable eligible program participants to obtain service even if they move back to a former electric service territory where they owe an old electric bill.

Some participants in the collaborative advocated a sunset provision that would limit the arrears forgiveness opportunity to the early year or years of the program. However, no evidence was provided to support the concern that customers would deliberately run up arrears prior to enrollment, and AARP indicates that other jurisdictions do not necessarily sunset their arrears forgiveness. A customer who gets into payment difficulty months or years from program inception should not necessarily be denied the full opportunity the program provides at the time of inception. Further, the Draft Bill provides that a customer can only obtain forgiveness for

arrears accumulated before the customer's first enrollment, thus precluding the opportunity to "game the system" by repeatedly running up arrears and then enrolling.

Although most participants acknowledged the importance of arrears forgiveness, the group recognized that forgiving past debt presents two serious funding challenges. First, the fiscal impact, particularly in the first year, is likely to be considerable. Second, it is very difficult to estimate the cost of the arrearage-forgiveness component because of a lack of information about the amount of arrears owed by likely program participants. Section III of this report includes several alternative projections for the cost of arrears forgiveness, but all of them are based on broad assumptions. Hard data were largely unavailable.

The legislature may want to consider options to manage the cost bubble associated with start-up of a program with an arrears forgiveness component. The options may include phasing the program in one tier at a time, limiting the number of people who can newly enroll for the first several years, or conducting a pilot program.

F. Program administration

Act 208 provided guidance on two aspects of program administration. The program goals articulated in the act include:

(2) The need for automatic screening and enrollment methods of eligible customers by means of information obtained from existing means-tested financial assistance programs administered by other Vermont agencies such as food stamps, Medicaid, LIHEAP or TANF; and

(3) The need to design a program that . . . results in the reimbursement of net incremental costs incurred by electric utilities to implement the program

These two goals were taken into consideration in the discussion of program administration.

Collaborative participants shared considerable agreement on the principles of program administration. Virtually all commenters supported administrative efficiency and design simplicity to minimize non-benefit program costs.

AARP proposed using LIHEAP eligibility for automatic enrollment in electric affordability benefits, and potentially including other means-tested programs as well. The

challenge of screening based on LIHEAP eligibility alone, however, is that seasonal LIHEAP uses a 125 percent of FPL standard, while the goals of Act 208 include serving those below 150 percent of FPL.

Utilities generally urged that the utilities not be asked to participate in income eligibility determination. As CVPS states:

[P]rograms that require utilities to make volume or volume and income based calculations for customers individually or which involve complex rules and arrearage tracking and crediting can imply long lead times and extremely large amounts of staff work and information system expenditure. . . . application, certification and recertification will need to be provided by the Agency of Human Services. This could be accomplished through arrangements developed by the Agency with the regional CAP agencies. The Company is not in a position to ask for customer income data and believes that it is bad policy to make utilities collect and keep such information.

(CVPS Low Income Principles and Proposed Program Preferences, 9/25/06.)

Other groups also recognized the value of using existing administrative structures set up for similar means-tested social benefit programs to administer low-income electric affordability. GBIC, for example, recommended “in order to increase the impact, households pre-qualified through other programs, such as LIHEAP, should be auto-enrolled The Agency of Human Services will oversee the program, analyzing the referrals and performing all of the means-testing for the program.” (GBIC comments of 10/15/06.)

AARP did not specify what entity should administer the program. In its initial comments, it recommended that, whenever possible, administrative structures and procedures that apply to the state’s LIHEAP be applied to the electric affordability program. Its draft bill, however, left to the Public Service Board in a subsequent proceeding determination of what entity would be the “administrator” of the program.

While most participants assumed placing responsibility for program administration with the Agency of Human Services (“AHS”) — with the further assumption that the Community Action Agencies would have some role as they now do in the crisis component of LIHEAP — AHS expressed strong concern about the burden on it of accepting a new program to administer.

Administration of this program would be a significant burden on AHS, an already over burdened agency. Implementation and ongoing administration is NOT possible without the guarantee of additional resources [staff (both program and IT), and start-up and administrative funds].

(Comments of AHS/DCF, 12/26/06.) AHS proposed a more limited role in program administration that it could reasonably perform. That role would include outreach for the program by adding information about its availability to all appropriate AHS notices and providing a list of households meeting the program eligibility standard to electric distribution companies annually.¹⁵ AHS also raised a myriad of practical problems with eligibility determination, computer system development, electronic information transfer with the utilities, incompatibilities of rules across programs and difficulty identifying eligible households due to differences between names on social service applications versus names on utility accounts.

It should be noted that the time frame for the collaborative was very short¹⁶ in comparison to the program development time taken in other states, which often devote a year or more to program planning and start-up, especially since electric affordability programs inherently involve interagency and public-private cooperation. Given the seven-month time frame of the effort, all drafts produced by the collaborative, including the staff draft, provide for a planning period, after passage of enabling legislation, in which many of the questions raised by AHS/DCF and others will need to be addressed.

The Draft Bill establishes two administrative roles within the program: “fiscal agent” and “program administrator.” These two roles were not clearly differentiated or defined in the AARP/CVPS draft, but it was clear from the collaborative’s deliberation that both roles need to be performed, and that separating the fiscal role from the program administration role may reduce the burden upon the program administrator. Further, this separation is characteristic of at least two other utility-related programs already in place: the Energy Efficiency Utility Fund and the Vermont Universal Service Fund.

The fiscal agent is defined as an entity selected by the Board to receive and disburse funds, similar in role to the fiscal agents of the Vermont Universal Service Fund and the Energy Efficiency Utility Fund.

15. The role AHS/DCF has proposed for itself is more limited than other participants proposed for it in two particularly significant respects: (1) limiting the generation of eligibility lists to one per year, rather than on-going eligibility determination; and (2) benefit determination being shifted to the utility.

16. As noted in footnote 1, the Act 208 became law on July 1, 2006. The deadline for this report was January 2007.

The program administrator is identified as the Agency of Human Services. The designation of the Agency of Human Services as the program administrator has been included in the draft despite the agency's concern about the potential for being given this role without adequate resources. The resource issue notwithstanding, the clear advantage of vesting AHS with this role is the potential for administrative efficiency flowing from the agency's administration of other low-income, means-tested programs. Act 208 provides further rationale for designating AHS by including a program goal of "automatic screening and enrollment methods of eligible customers by means of information obtained from existing means-tested financial assistance programs administered by other Vermont agencies such as food stamps, Medicaid, LIHEAP or TANF[.]" (30 V.S.A. § 209c(c)(2))

The bill's designation of AHS as the program administrator presents the legislature with an opportunity to discuss this public policy issue which clearly goes beyond the authority of the Board to assign.

G. Conservation and energy efficiency incentives

There was broad agreement that the program should include conservation incentives and a link to energy efficiency services. Participants proposed a variety of approaches to achieve these objectives.

AARP's proposed program design has an inherent conservation incentive in that individual benefits would be calculated based on a fixed usage amount. Usage above the amount on which the credit was calculated would be unsubsidized.

Other groups also supported limiting the discount to a fixed initial block. For example, GBIC recommended that benefits be available only up to a predetermined "prudent electric usage" cap or "basic needs block" to encourage conservation.

Participants also strongly recommended a link between the affordability program and energy efficiency services. Currently, the Energy Efficiency Utility includes a program component targeted at low-income residences. Its services are primarily delivered through a cooperative arrangement with the state's Weatherization program — essentially Efficiency Vermont "piggybacks" on the state's Weatherization program to enable that program to provide additional energy efficiency services to everyone the program serves. While this system helps

minimize service delivery costs, there are two reasons why it does not enable all qualifying low-income households to be informed of the opportunity to receive special energy efficiency services from Efficiency Vermont. First, the state's Weatherization program is not funded at a level sufficient to meet the needs of all qualifying low-income households. Second, Efficiency Vermont stated in collaborative workshops that it is unable under current law and regulation to obtain the names of LIHEAP recipients in order to contact qualifying low-income individuals who are not being served by the Weatherization program. This situation contrasts with the information sharing protocol between the utilities and the EEU in which the utilities are required to provide usage and contact information to the EEU for the purposes of outreach regarding other efficiency programs.

To address this information gap and enable the EEU to actively reach out to qualifying low-income households, participants urged the Board to include a provision in the affordability legislation that would permit the sharing of contact information for LIHEAP recipients and affordability program participants with the EEU.

The group was split regarding the question of whether participation in energy efficiency measures should be required as a condition of receiving benefits from the energy affordability program. IBM recommended a requirement that participants accept no-cost or low-cost demand-side management measures, whereas AARP recommended making the measures available. Collaborative participants generally acknowledged that renters may not be able to take advantage of demand-side management programs in those cases where the landlord refuses to accept participation.

DPS, GBIC and IBM all recommended targeting conservation measures at the highest usage accounts among those eligible for the low-income program.¹⁷ Multiple groups recommended targeting a portion of new EEU funds at low-income people who enroll in the affordability program.

17. Some evidence was presented by CVPS during the collaborative that low-income households' electric usage may be higher than the average residential consumer. (See http://www.state.vt.us/psb/document/ElectricInitiatives/Act208/cvps_eper_lowincome_usagestudy.pdf) However strong evidence was presented to the contrary by the National Consumer Law Center. (See <http://www.state.vt.us/psb/document/ElectricInitiatives/Act208/incomeusage.htm>) Regardless of the level of usage, households that are struggling to make ends meet will benefit from conservation measures that result in reduced electric bills.

The Draft Bill provides a program requirement that participants accept no-cost or low-cost demand-side management programs made available to them unless they are renters and the landlord refuses to accept participation. The combination of this provision with the authorization for utilities to provide participant usage and contact information to the EEU will permit more effective targeting of low-income households with the highest usage. The potential increases in efficiency offer sufficient benefit to low-income participants to justify a requirement for accepting efficiency services, if offered, as a condition of program participation.

H. Miscellaneous issues

Program purposes

The Draft Bill includes three concepts in its statement of program purposes: recognition of electricity as a basic necessity; the target group stated in terms of electric burden on household income and income qualification; and the importance of conservation and energy efficiency. These purposes are conceptually consistent with the purpose section of the AARP draft. CVPS suggested the inclusion in the purposes section of statements limiting administrative cost and compensating electric companies. Although these are valid design principles for the program, they are not statements of the program's purpose.

Reimbursement of administrative expenses

As proposed by AARP and CVPS, the Draft Bill provides for reimbursement from program funds of administrative expenses to the entities involved in program administration: utilities, AHS, and the fiscal agent. The Draft Bill also provides, as recommended by some collaborative members, for reimbursement of expenses of community agencies that AHS may engage in program administration, such as the Community Action Agencies. CVPS and BED suggested that the scope of reimbursement to Community Action Agencies should be further defined so as not to be completely open-ended. This definition can be established in the implementation process following the passage of enabling legislation.

Data to be maintained by electric distribution companies

The Draft Bill would require that information be maintained by the program administrator, the fiscal agent and the utilities in order to be able to evaluate the program. Several electric distribution utilities expressed objections to the data requirements as burdensome and requiring modifications to existing data systems. The Draft Bill did not modify the data

requirements recommended by this input because of concern about a particularly important element of program evaluation. Savings on collection activities and bad debt can be a significant offset to program costs, as well as a benefit to ratepayers and society. Only the utilities can track and document this aspect of the program. The utilities' concerns can be addressed in the implementation phase by streamlining reporting as far as possible and by ensuring that utilities are reimbursed for reporting costs.

BED asked for clarification of whether the reporting requirement for utilities was intended to track all low-income customers receiving some form of bill payment assistance or only participants in any low-income electric affordability program resulting from this process. Based on the challenges the group faced due to the lack of payment data specific to low-income customers currently receiving various forms of assistance (such as voluntary programs and crisis fuel assistance), it is clear that future program planning will be aided by the broadest possible definition of low-income customers for purposes of data collection.

Program evaluation

The Draft Bill requires and provides funding for an independent, third-party evaluation every two years. This provision provides further definition to the evaluation requirement proposed in the AARP/CVPS draft. In addition, the collaborative generally acknowledged the need for thorough program evaluation to assist stakeholders in future program planning.

SECTION IV: COST PROJECTIONS

TABLE I: ESTIMATED ELECTRIC AFFORDABILITY PROGRAM COSTS		
If the participation rate is x% of those who are income eligible	If the target electric burden is set at 5% of household income the program will cost:	If the target electric burden is set at 6% of household income the program will cost:
90%	\$15,436,746	\$10,512,196
70%	\$12,006,358	\$8,176,153
50%	\$8,575,970	\$5,840,109
30%	\$5,145,582	\$3,504,065

Assumptions and notes:

- 1) Program costs include benefits and administration
- 2) Target burden is defined as the percentage of household income spent on electricity
- 3) Projections assume a program with four tiers
- 4) Detailed calculations leading to the costs figures in this table appear in Table III (5% target burden) and Table IV (6% target burden)

TABLE II. PROJECTED COST OF ARREARAGE FORGIVENESS^a					
	<i>Percent of eligible customers having arrears at the time of enrollment</i>				
<i>Program participation rate</i>	10%	25%	40%	50%	70%
90%	\$1,421,720	\$3,554,301	\$5,686,881	\$7,108,602	\$9,952,043
70%	\$1,105,783	\$2,764,456	\$4,423,130	\$5,528,913	\$7,740,478
50%	\$789,845	\$1,974,612	\$3,159,379	\$3,949,223	\$5,528,913
30%	\$473,907	\$1,184,767	\$1,895,627	\$2,369,534	\$3,317,348

If the participation rate is X% of those who are income eligible	The number of participants will be
90%	39,824
70%	30,974
50%	22,125
30%	13,275
Weighted average arrears ^b	\$357

Notes and assumptions:

^a Arrears projections assume that some eligible customers have no arrears at the time of enrollment and that customers with arrears owe an average of \$357 each (as explained in note b below). The left hand column shows the percentage of total eligible households actually enrolled in the program. The top row represents a range of possible percentages of customers with arrears at the time of program enrollment. See Table III for the source of total projected eligibility.

^b Weighted average arrears: Utilities have limited ability to identify accounts that are likely to be eligible for an electric affordability program. The \$357 average arrears is a weighted average of the following data: total arrears of all CVPS customers who have past-due balances older than 90 days; total arrears of BED and GMP customers who have past-due balances older than 90 days and who have received some form of payment assistance recently; and 90-day arrears of VEC customers who have past-due balances older than 90 days and who have received some form of payment assistance.

Table III: Program costs and discounts at 5% target burden

Target Burden	5.0%	Households, Expenditures and Discounts							
Income: Poverty	Income at Category Midpoint	# HH	Electricity Expenditure	Target Burden	Expenditure @ Target Burden	\$ HH Discount	Monthly Discount	Percentage HH Discount	Total Program Discount
< 75%	\$4,950	15,571	\$940.10	5.0%	\$247.50	\$692.60	\$57.72	73.7%	\$10,784,831
75% to < 100%	\$11,550	8,224	\$940.10	5.0%	\$577.50	\$362.60	\$30.22	38.6%	\$2,981,980
100% to < 125%	\$14,850	9,674	\$940.10	5.0%	\$742.50	\$197.60	\$16.47	21.0%	\$1,911,573
125% to < 150%	\$18,150	10,780	\$940.10	5.0%	\$907.50	\$32.60	\$2.72	3.5%	\$351,467
Weighted Average Discount		38.5%							
2005 VT Electricity Revenues		\$636,961,037							

						Residential Expenditures		
Program Participation Rate *	#HH	Total Discount	Program Admin @ 7%	Total Program Cost	% of 2005 Revenue	Without Program	With Program	Monthly Bill Impact
100%	44,249	\$16,029,851	\$1,122,090	\$17,151,940	2.69%	\$940.10	\$965.42	\$2.11
90%	39,824	\$14,426,865	\$1,009,881	\$15,436,746	2.42%	\$940.10	\$962.89	\$1.90
80%	35,399	\$12,823,880	\$897,672	\$13,721,552	2.15%	\$940.10	\$960.36	\$1.69
70%	30,974	\$11,220,895	\$785,463	\$12,006,358	1.88%	\$940.10	\$957.82	\$1.48
60%	26,549	\$9,617,910	\$673,254	\$10,291,164	1.62%	\$940.10	\$955.29	\$1.27
50%	22,125	\$8,014,925	\$561,045	\$8,575,970	1.35%	\$940.10	\$952.76	\$1.05
40%	17,700	\$6,411,940	\$448,836	\$6,860,776	1.08%	\$940.10	\$950.23	\$0.84
30%	13,275	\$4,808,955	\$336,627	\$5,145,582	0.81%	\$940.10	\$947.70	\$0.63

* No utility payment assistance program in the U.S. serves 100% of income-eligible households
 In California, the low-income discount rate serves about 75% of the eligible customers, top participation rate in the nation
 In Vermont, LIHEAP provided a benefit of over \$50 to about 49% of income-eligible households in 2005-2006

Source: National Consumer Law Center for AARP VT
 September 2006

Table IV: Program costs and discounts at 6% target burden

Target Burden	6.0%	Households, Expenditures and Discounts							
Income: Poverty	Income at Category Midpoint	# HH	Electricity Expenditure	Target Burden	Expenditure @ Target Burden	\$ HH Discount	Monthly Discount	Percentage HH Discount	Total Program Discount
< 75%	\$4,950	15,571	\$940.10	6.0%	\$297.00	\$643.10	\$53.59	68.4%	\$10,014,045
75% to < 100%	\$11,550	8,224	\$940.10	6.0%	\$693.00	\$247.10	\$20.59	26.3%	\$2,032,131
100% to < 125%	\$14,850	9,674	\$940.10	6.0%	\$891.00	\$49.10	\$4.09	5.2%	\$475,017
125% to < 150%	\$18,150	10,780	\$940.10	6.0%	\$1,089.00	-\$148.90	-\$12.41	-15.8%	-\$1,605,102

Weighted Average Discount	26.2%
2005 VT Electricity Revenues	\$636,961,037

						Residential Expenditures		
Program Participation Rate *	# HH	Total Discount	Program Admin @ 7%	Total Program Cost	% of 2005 Revenue	Without Program	With Program	Monthly Bill Impact
100%	44,249	\$10,916,092	\$764,126	\$11,680,218	1.83%	\$940.10	\$957.34	\$1.44
90%	39,824	\$9,824,482	\$687,714	\$10,512,196	1.65%	\$940.10	\$955.62	\$1.29
80%	35,399	\$8,732,873	\$611,301	\$9,344,174	1.47%	\$940.10	\$953.89	\$1.15
70%	30,974	\$7,641,264	\$534,888	\$8,176,153	1.28%	\$940.10	\$952.17	\$1.01
60%	26,549	\$6,549,655	\$458,476	\$7,008,131	1.10%	\$940.10	\$950.45	\$0.86
50%	22,125	\$5,458,046	\$382,063	\$5,840,109	0.92%	\$940.10	\$948.72	\$0.72
40%	17,700	\$4,366,437	\$305,651	\$4,672,087	0.73%	\$940.10	\$947.00	\$0.57
30%	13,275	\$3,274,827	\$229,238	\$3,504,065	0.55%	\$940.10	\$945.28	\$0.43

* No utility payment assistance program in the U.S. serves 100% of income-eligible households

In California, the low-income discount rate serves about 75% of the eligible customers, top participation rate in the nation

In Vermont, LIHEAP provided a benefit of over \$50 to about 49% of income-eligible households in 2005-2006

Source: National Consumer Law Center for AARP VT

September 2006

Table V: Average bill impacts under each funding scenario
All calculations are based on a 5% target burden

Program participation rate	30%	50%	70%	90%
Total program cost ^(a)	\$ 5,145,582	\$ 8,575,970	\$ 12,006,358	\$ 15,436,746
2005 Electric utility revenue, usage, customers and average use by class				
<i>From DPS 2004-2006 Biennial Report (unpublished)</i>				
	Revenue	kWh	Customers	Avg Usage
Residential	\$ 280,608,147	2,190,529,410	298,480	7,339
Commercial	\$ 636,961,037	5,885,674,118	45,822	128,446
Industrial	\$ 123,700,596	1,619,651,321	314	5,158,125
Total	\$ 1,041,269,780	9,695,854,849	344,616	28,135
	% of total revenue	% of total kWh		
Residential	26.9%	22.6%		
Commercial	61.2%	60.7%		
Industrial	11.9%	16.7%		
Total	100%	100.0%		
Class share of total program costs apportioned by % of kWh				
<i>Program participation rate</i>	<i>Residential</i>	<i>Commerical</i>	<i>Industrial</i>	<i>Total</i>
30%	\$ 1,162,512	\$ 3,123,522	\$ 859,548	\$ 5,145,582
50%	\$ 1,937,520	\$ 5,205,870	\$ 1,432,579	\$ 8,575,970
70%	\$ 2,712,528	\$ 7,288,219	\$ 2,005,611	\$ 12,006,358
90%	\$ 3,487,536	\$ 9,370,567	\$ 2,578,643	\$ 15,436,746

<i>Class share of total program costs apportioned by % of revenue</i>				
<i>Program participation rate</i>	<i>Residential</i>	<i>Commerical</i>	<i>Industrial</i>	<i>Total</i>
30%	\$ 1,386,665	\$ 3,147,633	\$ 611,284	\$ 5,145,582
50%	\$ 2,311,108	\$ 5,246,055	\$ 1,018,807	\$ 8,575,970
70%	\$ 3,235,551	\$ 7,344,477	\$ 1,426,329	\$ 12,006,358
90%	\$ 4,159,995	\$ 9,442,899	\$ 1,833,852	\$ 15,436,746

<u>Funding alternative 1: Charge apportioned across customer classes based on usage^(b)</u>				
<i>Program participation rate</i>	30%	50%	70%	90%
Avg residential cost/year	\$ 4.65	\$ 6.49	\$ 9.09	\$ 11.68
Avg commercial cost/year	\$ 68.17	\$ 113.61	\$ 159.06	\$ 204.50
Avg industrial cost/year	\$ 2,737.41	\$ 4,562.35	\$ 6,387.30	\$ 8,212.24
Avg overall cost/year	\$ 14.93	\$ 24.89	\$ 34.84	\$ 44.79
Avg residential cost/month	\$ 0.39	\$ 0.54	\$ 0.76	\$ 0.97
Avg commercial cost/month	\$ 5.68	\$ 9.47	\$ 13.25	\$ 17.04
Avg industrial cost/month	\$ 228.12	\$ 380.20	\$ 532.27	\$ 684.35
Avg overall cost/month	\$ 1.24	\$ 2.07	\$ 2.90	\$ 3.73

<u>Funding alternative 2a: Fixed per-meter charge apportioned by class share of revenue</u>				
<i>Program participation rate</i>	30%	50%	70%	90%
Residential cost/year	\$ 4.65	\$ 7.74	\$ 10.84	\$ 13.94
Commercial cost/year	\$ 68.69	\$ 114.49	\$ 160.28	\$ 206.08
Industrial cost/year	\$ 1,946.76	\$ 3,244.61	\$ 4,542.45	\$ 5,840.29
Residential/month	\$ 0.39	\$ 0.65	\$ 0.90	\$ 1.16
Commercial/month	\$ 5.72	\$ 9.54	\$ 13.36	\$ 17.17
Industrial/month	\$ 162.23	\$ 270.38	\$ 378.54	\$ 486.69

<u>Funding alternative 2b: Fixed per-meter charge, DPS proposal</u> ^(c)			
	DPS suggested meter charge	Rev. raised/month	Rev. raised/year
Residential	\$ 1	\$ 298,480	\$ 3,581,760
Commercial	\$ 3	\$ 137,466	\$ 1,649,592
Industrial	\$ 100	\$ 31,400	\$ 376,800
Total		\$ 467,346	\$ 5,608,152

<u>Funding alternative 3: Charge apportioned across customer classes based on revenue</u> ^(b)				
<i>Program participation rate</i>	30%	50%	70%	90%
Avg residential cost/year	\$ 4.65	\$ 7.74	\$ 10.84	\$ 13.94
Avg commercial cost/year	\$ 68.69	\$ 114.49	\$ 160.28	\$ 206.08
Avg industrial cost/year	\$ 1,946.76	\$ 3,244.61	\$ 4,542.45	\$ 5,840.29
Avg overall cost/year	\$ 14.93	\$ 24.89	\$ 34.84	\$ 44.79
Avg residential cost/month	\$ 0.39	\$ 0.65	\$ 0.90	\$ 1.16
Avg commercial cost/month	\$ 5.72	\$ 9.54	\$ 13.36	\$ 17.17
Avg industrial cost/month	\$ 162.23	\$ 270.38	\$ 378.54	\$ 486.69
Avg overall cost/month	\$ 1.24	\$ 2.07	\$ 2.90	\$ 3.73

<u>Funding alternative 4: Usage-based charge on residential customers, per-meter charge on commercial & industrial</u> ^(d)				
<i>Program participation rate</i>	30%	50%	70%	90%
Avg annual cost/res cust	\$ 10.45	\$ 15.15	\$ 19.86	\$ 24.56
Residential revenue	\$ 3,119,190	\$ 4,523,186	\$ 5,927,182	\$ 7,331,178
Commercial meter charge	\$ 3	\$ 6	\$ 9	\$ 12
Commercial revenue	\$ 1,649,592	\$ 3,299,184	\$ 4,948,776	\$ 6,598,368
Industrial meter charge	\$ 100	\$ 200	\$ 300	\$ 400
Industrial	\$ 376,800	\$ 753,600	\$ 1,130,400	\$ 1,507,200
Total revenue	\$ 5,145,582	\$ 8,575,970	\$ 12,006,358	\$ 15,436,746

Notes and assumptions for Table V

- (a) Program costs by participation rate are derived from Table III.
- (b) Funding Alternatives 1 and 3 are calculated strictly based on usage and revenue, and do not take load factor or demand rates into account. The choice to show relative cost impacts in this way was made for simplicity. Good public policy rationale has led the Board to a more complex formula for apportion costs of the Energy Efficiency Utility, taking load factor into account. Ultimately, the actual process of setting the charge for any electric affordability program that may be adopted can be designed with greater nuance. For current purposes, the illustrative use of revenue and kWh usage in this table is appropriate.
- (c) All funding alternatives except Alternative 2b assume the program costs shown in Table III, which are based on a 5% target burden. Alternative 2b approaches the problem from the opposite direction: how much money can be raised by the fixed-meter charge suggested by DPS. As the table indicates, the DPS suggestion would raise sufficient funds to support a program with 5% target burden and approximately 30% of eligible households enrolled.
- (d) Funding alternative 4 includes arbitrarily assigned per-meter costs for commercial and industrial customers, and sets the residential usage-based charge to recover the remaining costs not raised by the commercial and industrial fixed-charges.

ATTACHMENT A: DRAFT BILL AND FUNDING MECHANISM ALTERNATIVES

Introduced by

Referred to Committee on

Date:

Subject: Public service; regulation of utility corporations; low-income electric bill
assistance program

Statement of purpose: This bill proposes to create a statewide electric bill payment assistance
program for low income residential customers.

AN ACT RELATING TO AN ELECTRIC PAYMENT ASSISTANCE PROGRAM FOR LOW INCOME VERMONTERS

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 30 V.S.A. § 209c is amended to read:

~~§ 209c. Electricity affordability program~~

~~———(a) The board of public service shall design a proposed electricity affordability program in
the form of draft legislation. The program shall be developed with the aid of an electricity
affordability program collaborative. The collaborative, composed of representatives from the
electric utilities, residential customers, consumer representatives, low income program
representatives, elderly program representatives, the department of public service, the department
of human services, and other stakeholders identified by the board, shall aid in the development of
an electricity affordability program, as well as requirements for the implementation and funding
of the program. The proposed electricity affordability program will be presented to the Vermont
general assembly in the form of draft legislation for consideration in January 2007.~~

1 ~~(b) The proposed electricity affordability program shall provide assistance in the payment~~
2 ~~of electricity bills for eligible low income residential customers served by electric companies~~
3 ~~subject to the jurisdiction of the board.~~

4 ~~(c) In developing the electricity affordability program, the board shall review the~~
5 ~~successes and administrative burdens of similar programs in operation in other states and~~
6 ~~consider the following goals, which shall be afforded equal weight in formulating the program:~~

7 ~~(1) The need to provide payment assistance to low-income customers at and below 150~~
8 ~~percent of the Federal Poverty Level;~~

9 ~~(2) The need for automatic screening and enrollment methods of eligible customers by~~
10 ~~means of information obtained from existing means-tested financial assistance programs~~
11 ~~administered by other Vermont agencies such as food stamps, Medicaid, LIHEAP or TANF; and~~

12 ~~(3) The need to design a program that is funded by all customer classes in an equitable~~
13 ~~and reasonable manner and that results in the reimbursement of net incremental costs incurred by~~
14 ~~electric utilities to implement the program, taking into consideration the benefits as well as the~~
15 ~~costs. (Added 2005, No. 208 (Adj. Sess.), § 10a.)~~

16 § 209c. LOW INCOME ELECTRIC ASSISTANCE PROGRAM

17 (a) Purpose. It is the purpose of this section to:

18 (1) Recognize that electricity is a basic necessity to which all residents of the state should
19 have access;

20 (2) Provide payment assistance to residential consumers whose electricity bills represent
21 a disproportionate share of household income in comparison to the statewide average and who
22 qualify based on income; and

1 (3) Encourage participating customers to use electricity efficiently and participate in
2 conservation and energy efficiency measures that reduce the customers' bills and payment
3 requirements;

4 (b) Definitions. For the purposes of this section:

5 (1) "Amount overdue" means the amount that an electric company has properly
6 billed to a customer that has not been paid by the due date of the bill or by a date otherwise
7 agreed upon.

8 (2) "Eligible customer" means any residential customer of an electric company
9 who is taking, or seeks to establish, residential service, not including seasonal service; and who
10 meets one of the following requirements:

11 (A) The customer's household receives assistance from any program
12 administered by the agency of human services for which eligibility is based on a means-test with
13 a threshold at or below 150 percent of federal poverty guidelines as defined annually by the U.S.
14 Department of Health and Human Services; or

15 (B) The customer's household income is at or below 150 percent of
16 federal poverty guidelines as defined annually by the U.S. Department of Health and Human
17 Services and certified by the agency of human services.

18 (3) "Fiscal agent" means an entity selected by the public service board to receive
19 and disburse funds under this section.

20 (4) "Low Income Electric Assistance Program" (LEAP) is a statewide program to
21 assist eligible customers in paying their electric bills.

1 (5) “LIHEAP” means “Low Income Home Energy Assistance Program,” which is
2 a federally funded program that provides financial assistance grants to needy households for
3 home energy bills and is implemented by the agency of human services.

4 (6) “Participating customer” means a customer who has applied and has been
5 determined to be eligible for LEAP by the agency of human services.

6 (7) “Program administrator” means the agency of human services.

7 (8) “Pre-program arrears” means a customer’s electric service account amount
8 overdue at the time the customer is determined to be eligible for the LEAP. This amount may
9 consist of a customer’s overdue amount that is currently billed on the customer’s electric service
10 account and any other prior unpaid bill for residential electric service that is owed by the
11 customer to the same electric company.

12 (9) “Residential customer” means any person who seeks to establish or is
13 receiving residential service from an electric company.

14 (c) The department of public service shall organize an program coordinating committee
15 including the program administrator, the fiscal agent, the electric distribution utilities to develop
16 a memorandum of understanding establishing the policies and procedures of the program. Any
17 dispute may be submitted to the board for resolution. The program coordinating committee shall
18 set out the procedures for a LEAP that:

19 (1) Shall be available to eligible customers served or seeking to be served by
20 electric companies subject to the jurisdiction of the board.

21 (2) Shall utilize the agency of human services to screen and prioritize program
22 applicants for participation in the LEAP.

1 (3) Shall be funded by an assessment on the customers of all electric distribution
2 companies subject to the jurisdiction of the board. The funding amount shall be available for
3 LEAP benefits, including arrears forgiveness payments, and reimbursement of incremental
4 administrative costs incurred by the electric utilities and the program administrator. Costs of the
5 fiscal agent and the evaluations required by section (o) shall also be paid from the LEAP
6 assessment. Any material changes in the program design, customer assessment or budget for the
7 LEAP shall be adopted through the planning process described in paragraph (c), and shall ensure
8 that the program is consistent with the needs of participating customers and that all reasonable
9 costs of the program will be reflected in the assessment to be charged to the customers of all
10 electric distribution companies. Electric distribution companies shall pay the gross receipts tax
11 required by 30 V.S.A § 22 and the fuel gross receipts tax required by 33 V.S.A. § 2503 on all
12 funds received from LEAP in payment of participating customers' electric bills, but shall not pay
13 the taxes on amounts collected in the form of the affordability program charge.

14 (4) Shall establish a tiered discount program which shall include two or more
15 income tiers. Within each tier, an "affordable" payment amount shall be calculated based on
16 X%¹⁸ of income for the average household within the tier.

17 (5) For each tier, one twelfth of the difference between the average household's
18 calculated "affordable" payment and the statewide average annual residential cost of electric
19 service shall constitute the maximum monthly LEAP credit. The annual total credit shall not
20 exceed the actual annual electric charges for the individual participating customer. Any
21 applicable seasonal fuel benefit for the customer's electric service shall be subtracted from the
22 total amount of the otherwise applicable fixed credit. Any other emergency or crisis assistance

18. The Board has left this percentage open to be determined by the legislature.

1 LIHEAP payment shall not be subtracted from the amount of the fixed credit, but shall be applied
2 to the customer's account in the normal course of the administration of such emergency or crisis
3 benefit programs. A participating customer is responsible for all actual charges for electric
4 service in excess of the fixed monthly credit. Notwithstanding the annual calculation method
5 described in this section, the board may establish an alternative monthly method of calculation
6 that otherwise conforms to this section if it finds that applying an annual method may result in
7 participating customers receiving benefits in excess of the cost of their actual electric usage.

8 (6) Shall require the customer to enter into a budget billing plan.

9 (7) Shall include a pre-program arrears forgiveness component to ensure
10 participants are able to afford current bills under the program. During each participant's first term
11 of LEAP, with a particular electric distribution company, that company shall offer the
12 participating customer an option to obtain forgiveness of the customer's arrears balance pursuant
13 to an arrears forgiveness program. The opportunity for arrears forgiveness shall apply only to
14 arrears accumulated prior to the date on which the customer first enrolls in LEAP in any electric
15 distribution company's service territory, and shall be available to each customer only once within
16 any given utility service territory.

17 (8) Shall ensure that as a condition of program enrollment, a LEAP participant
18 shall accept no-cost or low-cost, demand-side management measures and programs that are
19 available to the participant's dwelling or rental unit unless the participant is a renter and the
20 owner or landlord withholds the required consent.

21 (d) It is the intent of the Legislature that LEAP assistance will not be counted as income
22 or as a resource in other means-tested assistance programs for low income households. LEAP

1 shall therefore be administered in a way that seeks to ensure that LEAP assistance will not result
2 in the loss of other federal or state assistance dollars.

3 (e) This section does not confer any automatic right or entitlement on any person.

4 (f) ¹⁹The board shall establish by order or rule a nonbypassable volumetric charge to
5 retail electric customers for the support of the LEAP. The charge shall be known as the
6 affordability program charge, shall be shown separately on each customer's bill, and shall be
7 collected and remitted to the fiscal agent by the utility. When such a charge is shown, notice as to
8 how to obtain information about the LEAP shall be provided in a manner directed by the board.
9 Balances in the fund shall be ratepayer funds, shall be used to support the activities authorized in
10 this section, and shall be carried forward and remain in the fund at the end of each fiscal year.
11 These monies shall not be available to meet the general obligations of the state. Interest earned
12 shall remain in the fund.

13 (g) Program funding associated with the costs of the LEAP, including the arrearage
14 forgiveness component, shall be recovered from all customers of each electric distribution
15 company by means of the affordability program charge. The statewide revenue generated by the
16 affordability program charge shall not exceed X%²⁰ of retail revenues of all electric distribution
17 utilities in any program year. In any year in which the cost of the program exceeds the cap on
18 program funding, the agency of human services shall prioritize enrollment on the basis of
19 income.

20 (h) The board shall require electric distribution companies to maintain sufficient data on
21 participating customers so that the costs of and savings associated with the program can be

19. Four alternative versions of paragraph (f) appear at the end of the Draft Bill. Each presents a different option for program funding.

20. The Board has left this percentage open to be determined by the legislature.

1 determined, including participating customer arrearages, incidence of nonpayment, disconnection
2 of service, reconnection of service, frequency of bill payment, overdue balances incurred,
3 write-off of uncollectible expense, LEAP customer contacts and disputes, payment arrangement
4 terms, and other relevant electric company operations and maintenance expenses, and impacts on
5 electric company cash and working capital.

6 (i) The program administrator shall implement the LEAP in coordination with the
7 delivery of LIHEAP and the weatherization assistance program, other statewide financial
8 assistance programs, and community-based organizations that already have a significant role in
9 the implementation of energy and financial assistance programs for low income households to
10 assure the most efficient determination of eligibility and benefit amount in coordination with
11 existing programs in this state.

12 (j) The fiscal agent shall be selected by the board after competitive bidding. The duties of
13 the fiscal agent shall be determined by a contract with a term of not greater than five years.

14 (k) During each program year, the program administrator and the fiscal agent shall track
15 and monitor all funding, benefits and expenses of the program. The fiscal agent shall provide the
16 board and the program administrator with monthly reports in electronic data format. The board
17 and the program administrator shall annually provide the legislature with a report detailing the
18 revenues collected and the expenditures made for the LEAP under this section.

19 (l) The program administrator shall be entitled to receive actual incremental
20 administrative costs associated with the implementation of the LEAP, including reimbursement
21 of actual incremental costs incurred by any local community-based organizations. The fiscal
22 agent shall reimburse electric companies for their actual reasonable incremental costs associated
23 with the implementation and administration of the LEAP.

1 (m) The program administrator shall develop an automatic enrollment method such that
2 potentially eligible participants are identified by the administrator and enrolled in the LEAP. The
3 board shall require that any entity that obtains access to customer-specific account and income
4 information shall assure that such information remains private, and that the entity's use of this
5 private information will be limited to the implementation and goals of LEAP. The efficiency
6 utility established under 30 V.S.A. § 209 shall be informed of all participants in the home heating
7 fuel assistance program and the LEAP. The transmittal of customer-specific information
8 designed to screen electric customers for enrollment in LEAP is intended to implement an
9 additional benefit within the meaning of the consumer privacy policies of the federal Social
10 Security Act.

11 (n) The administrator shall inform customers who are automatically screened and
12 enrolled in the LEAP through the data matching process in subsection (m) of this section of their
13 enrollment in the program, the amount of the fixed credit that will appear on the customer's
14 electric bill, how to participate in the arrears forgiveness program, and the customer's obligation
15 to participate in no-cost or low-cost energy management services. Each customer shall also be
16 offered an option to forego participation in or to opt out of the program.

17 (o) The program administrator shall contract with an independent, third-party entity
18 every two years to conduct an evaluation of the process and impact of the LEAP, which shall
19 analyze and determine the impact of the program on program participants and their ability to pay
20 for and retain electric service, the efficiency and effectiveness of the administration of the
21 program, the impact of the program on electric company credit and collection expenses,
22 including cash working capital and uncollectible expense, and generally assess the costs and

1 benefits of the program. The reasonable costs of the evaluation required under this section shall
2 be reimbursed from the LEAP funds.

3 (p) The program administrator, the board, the department of public service and the
4 electric companies shall work together to identify cost-effective ways to transfer information
5 electronically and to employ available protocols that will minimize administrative costs.

6 (q) The electric companies shall bill and collect the monthly bill of a LEAP customer
7 pursuant to the same terms and conditions that are applicable to residential customers generally.

8 (r) Each electric distribution company shall file quarterly and annual reports with the
9 program administrator, the board and the department of public service that cumulatively
10 summarize and update program information as directed by the board.

11 Sec. 2. 30 V.S.A. § 209(b)(4) is added to read:

12 (4) Prescribe a monthly and rolling 12-month cumulative reporting requirement
13 for electric distribution companies that may include information on disconnection of service,
14 reconnection of service, deposits, payment arrangements, and other indicia of electric company
15 credit and collection programs. Such reporting requirements shall require that, with respect to
16 residential customer class information, the reporting data be reported separately for residential
17 customers as a whole and for those customers identified in the electric company's records as low
18 income residential customers as indicated by receipt of financial and energy assistance applied to
19 the customer's account.

Program funding alternatives 1: volumetric charge apportioned equally among customer classes based on usage (duplicated from the full draft above)

1 (f) The board shall establish annually by order or rule a nonbypassable volumetric charge
2 for the support of the LEAP. The charge shall apply to all customer classes in proportion to their
3 electric usage. The charge shall be known as the affordability program charge, shall be shown
4 separately on each retail electric customer's bill, and shall be collected and remitted to the fiscal
5 agent by the electric distribution utility. When such a charge is shown, notice as to how to obtain
6 information about the LEAP shall be provided in a manner directed by the board. Balances in the
7 fund shall be ratepayer funds, shall be used to support the activities authorized in this section,
8 and shall be carried forward and remain in the fund at the end of each fiscal year. These monies
9 shall not be available to meet the general obligations of the state. Interest earned shall remain in
10 the fund.

Program funding alternatives 2: fixed per-meter charge that differs across customer classes.

1 (f) The board shall annually establish a nonbypassable, fixed, per-meter charge sufficient
2 to meet the funding requirements of the program. The charge shall be established such that X
3 percent of total program funding shall be supported by a fixed charge on electric residential
4 customers, Y percent by a fixed charge on electric commercial customers and Z percent by a
5 fixed charge on electric industrial customers. The charge shall be known as the affordability
6 program charge, shall be shown separately on each retail electric customer's bill, and shall be
7 collected and remitted to the fiscal agent by the electric distribution utility. When such a charge
8 is shown, notice as to how to obtain information about the LEAP shall be provided in a manner

1 directed by the board. Balances in the fund shall be ratepayer funds, shall be used to support the
2 activities authorized in this section, and shall be carried forward and remain in the fund at the end
3 of each fiscal year. These monies shall not be available to meet the general obligations of the
4 state. Interest earned shall remain in the fund.

Program funding alternatives 3: charge apportioned across customer classes based on revenue rather than usage.

1 (f) The board shall establish annually by order or rule a nonbypassable charge for the
2 support of the LEAP that shall be calculated as percentage of utility revenue. The charge shall
3 apply to all customer classes in proportion to their electric usage. The charge shall be known as
4 the affordability program charge, shall be shown separately on each retail electric customer's bill,
5 and shall be collected and remitted to the fiscal agent by the electric distribution utility. When
6 such a charge is shown, notice as to how to obtain information about the LEAP shall be provided
7 in a manner directed by the board. Balances in the fund shall be ratepayer funds, shall be used to
8 support the activities authorized in this section, and shall be carried forward and remain in the
9 fund at the end of each fiscal year. These monies shall not be available to meet the general
10 obligations of the state. Interest earned shall remain in the fund.

Program funding alternatives 4: volumetric charge on residential customers; per-meter charge on commercial and industrial customers.

1 (f) The board shall establish annually by order or rule a nonbypassable volumetric charge
2 for the support of the LEAP. The charge shall apply to residential customers and shall be
3 designed to fund X percent of the costs of the LEAP program. The board shall establish separate,
4 per-meter charges that shall apply to commercial and industrial customers and shall be designed
5 to fund Y percent of the costs of the LEAP program. The charge shall be known as the
6 affordability program charge, shall be shown separately on each customer's bill, and shall be
7 collected and remitted to the fiscal agent by the electric distribution utility. When such a charge
8 is shown, notice as to how to obtain information about the LEAP shall be provided in a manner

1 directed by the board. Balances in the fund shall be ratepayer funds, shall be used to support the
2 activities authorized in this section, and shall be carried forward and remain in the fund at the end
3 of each fiscal year. These monies shall not be available to meet the general obligations of the
4 state. Interest earned shall remain in the fund.

ATTACHMENT B: ELECTRIC AFFORDABILITY COLLABORATIVE PARTICIPANTS AND ABBREVIATIONS USED IN THE REPORT

AARP	AARP
AIV	Associated Industries of Vermont
BED	City of Burlington Electric Department
CVEDC	Central Vermont Economic Development Corporation
CVOEO	Champlain Valley Office of Economic Opportunity
COVE	Community of Vermont Elders
CVPS	Central Vermont Public Service Corporation
DRM	Downs Rachlin & Martin (on behalf of IBM)
EVT	Efficiency Vermont
GBIC	Greater Burlington Industrial Corporation/Lake Champlain Regional Chamber of Commerce
GMP	Green Mountain Power Corporation
G14	Group of 14 Municipal Utilities ²¹
IBM	IBM
LEDC	Lamoille Economic Development Corporation
NFIB	National Federation of Independent Businesses
NAAA	Northeast Area Agency on Aging
AHS/DAIL	Vermont Agency of Human Services, Department of Aging and Independent Living
AHS/DCF	Vermont Agency of Human Services, Department for Children and Families
DPS	Vermont Department of Public Service
VAHC	Vermont Affordable Housing Coalition
VARDD	Vermont Association of Regional Development Directors
VBSR	Vermont Businesses for Social Responsibility
VEC	Vermont Electric Cooperative, Inc.
VEIC	Vermont Energy Investment Corporation
VGA	Vermont Grocers Association
VHBR	Vermont Home Builders & Remodelers Association
VLA	Vermont Legal Aid
VLAC	Vermont Low Income Advocacy Council
VPIRG	Vermont Public Interest Research Group
VRA	Vermont Retail Association
VSAA	Vermont Ski Areas Association
WEC	Washington Electric Cooperative
WSA	William Shouldice & Associates (on behalf of unidentified clients)

21. The 14 Municipal Utilities include: Barton Village Inc. Electric Department; Village of Enosburg Falls Water & Light Department; Town of Hardwick Electric Department; Village of Hyde Park Electric Department; Village of Jacksonville Electric Company; Village of Johnson Water & Light Department; Village of Ludlow Electric Light Department; Village of Lyndonville Electric Department; Village of Morrisville Water & Light Department; Village of Northfield Electric Department; Village of Orleans Electric Department; Town of Readsboro Electric Light Department; Town of Stowe Electric Department; and Swanton Village Inc. Electric Department.

ATTACHMENT C

NO. 208. AN ACT RELATING TO THE ENERGY SECURITY AND RELIABILITY ACT.

(H.859)

It is hereby enacted by the General Assembly of the State of Vermont:

* * * * *

Sec. 10a. 30 V.S.A. § 209c is added to read:

§ 209c. ELECTRICITY AFFORDABILITY PROGRAM

(a) The board of public service shall design a proposed electricity affordability program in the form of draft legislation. The program shall be developed with the aid of an electricity affordability program collaborative. The collaborative, composed of representatives from the electric utilities, residential customers, consumer representatives, low-income program representatives, elderly program representatives, the department of public service, the department of human services, and other stakeholders identified by the board, shall aid in the development of an electricity affordability program, as well as requirements for the implementation and funding of the program. The proposed electricity affordability program will be presented to the Vermont General Assembly in the form of draft legislation for consideration in January 2007.

(b) The proposed electricity affordability program shall provide assistance in the payment of electricity bills for eligible low income residential customers served by electric companies subject to the jurisdiction of the board.

(c) In developing the electricity affordability program, the board shall review the successes and administrative burdens of similar programs in operation in other states and consider the following goals, which shall be afforded equal weight in formulating the program:

(1) The need to provide payment assistance to low-income customers at and below 150% of the Federal Poverty Level;

(2) The need for automatic screening and enrollment methods of eligible customers by means of information obtained from existing means-tested financial assistance programs administered by other Vermont agencies such as food stamps, Medicaid, LIHEAP or TANF; and

(3) The need to design a program that is funded by all customer classes in an equitable and reasonable manner and that results in the reimbursement of net incremental costs incurred by electric utilities to implement the program, taking into consideration the benefits as well as the costs.

Approved: May 31, 2006